



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

January 25, 2006

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 7: Location of Land Eligible for Enrollment in Managed Forest Law

Assembly Bill 7 would remove the requirement under the managed forest law (MFL) program that the minimum number of contiguous acres required for enrollment in the program be located within a single municipality. The bill was introduced on January 18, 2005, and referred to the Assembly Committee on Forestry. Assembly Amendment 1 to the bill was offered on February 15, 2005, and Assembly Amendment 2 to the bill was offered on March 28, 2005. On March 29, 2005, both Amendment 1 and Amendment 2 were adopted by the Committee and passage was recommended all on a vote of Ayes, 5; Noes, 0. On November 9, 2005, the bill was withdrawn from the Committee on Rules and referred to the Joint Committee on Finance.

CURRENT LAW

The managed forest law program is designed to encourage landowners to manage private forest lands for the production of future forest crops for commercial use through sound forestry practices. Land enrolled under the MFL program is exempt from local property taxes. Instead, landowners make payments to towns and villages (which in turn pay a portion of revenues received to the counties) in amounts determined by the date that the land was entered into the program.

The Department of Natural Resources also distributes state aids (20¢ per acre) to the towns in which the land enrolled under the program is located. Towns are required to pay 20% of these revenues to the county. Under current law, a landowner may apply to enroll land under the MFL program if the land consists of at least 10 contiguous acres in a single municipality and at least 80% of the land is capable of producing a minimum of 20 cubic feet of merchantable timber per acre per year.

SUMMARY OF BILL

Assembly Bill 7 would remove the MFL eligibility requirement that the 10 contiguous acres required for enrollment in the program be located in a single municipality.

AMENDMENTS

Assembly Amendment 1 would delete the provision in the bill that if an acre of land enrolled under MFL was located in two or more municipalities, DNR would be required to make its annual 20¢ per acre payment to the treasurer of the municipality in which the largest portion of the acre is located. Currently, DNR is able to split payments made for one contiguous parcel located in more than one municipality between each, allowing each municipality to receive a payment based on the actual acreage enrolled in the program within its boundaries.

Assembly Amendment 2 would delete language modifying allowable closed acreage limitations from those specified under current law. Currently, up to 160 acres of land may be closed to public access in each municipality, and of the 160 acres not more than 80 acres in each municipality may have been designated as managed forest land before April 28, 2004. The bill, as originally drafted, would only allow up to 160 acres of land to be closed to public access statewide (rather than per municipality). Further, AA 2 would correct language in the bill that would have required land, when withdrawn from the program, to be removed as an "entire parcel". In some instances, an entire parcel of MFL land may cover several legal descriptions, so requiring the withdrawal of the entire parcel may have caused more land to be withdrawn from the program than is required under current law.

FISCAL EFFECT

The impact on the MFL program in terms of additional enrollment as a result of this bill is expected to be minimal. Based on prior applications, approximately 10 additional applications to add parcels with less than 10 acres that had previously been ineligible may be anticipated each year. It is expected that this level of activity would not significantly impact Department workload plans for the program. Similarly, the small number of acres anticipated to be added to the program (between 30 and 180 acres annually across the state) are unlikely to have a noticeable effect on aids to local governments as a result of the yield taxes and acreage share payments (estimated to increase by approximately \$250 statewide each year as a result of the change.)

The Department indicates that its current data system for the managed forest law program is set up to track information by the legal description of each parcel within each municipality. Consequently, if a landowner wishes to enroll a larger property under MFL that crosses municipal boundaries, they must enroll the property as multiple parcels (one parcel in each municipality, with a separate entry fee for each). The Department uses the data system to track required forest

practices, yield or withdrawal taxes collected for each parcel, and the amount of state forestry aids payments due to each municipality. The system also ensures accurate communication between DNR and counties, municipal clerks, assessors, and the Department of Revenue when tracking new entries, additions of acreage, withdrawals, or transfers within the MFL program. The system was designed to reflect the requirements under current law, which specifies that a minimum of ten acres must be located in each municipality, and recognizes legal descriptions by municipalities as independent entities. Consequently, one 10-acre parcel that is split equally between two municipalities would be recognized by the system as two five-acre parcels, rather than one 10-acre property, and therefore as ineligible for enrollment.

The data system could be reprogrammed to reflect the changes provided under the bill. Forestry and DNR administrative staff estimate that based on the number of programming changes required to make the system compatible with the changes proposed under the bill and the estimated cost of contracting, it could take between 2,000 and 2,500 hours to modify the system, at a cost of up to \$150,000. The Department indicates that it would be required to contract with private vendors for these services, as they do not have anyone on staff with sufficient expertise to complete the work.

The bill does not contain any additional expenditure authority for the project. Therefore, should DNR find it necessary to contract for services to update their MFL data system, the costs would either need to be reallocated from existing expenditure authority, or DNR could seek additional funding through future legislation (biennial budget) or the Joint Committee on Finance at its quarterly meeting under s. 13.10 of the statutes. Currently, costs related to the MFL program are funded from the forestry account of the conservation fund. The forestry account is currently expected to end the biennium on June 30, 2007, with an uncommitted balance of approximately \$7 million.

Prepared by: Rebecca Hotynski